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September 18, 2009

Jennifer J. Johnson, Secretary
Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
RE: Docket No. R-1364

Dear Secretary Johnson:

The Iowa Credit Union League, on behalf of Iowa credit unions, appreciates the opportunity to comment on the Federal Reserve Board's (Fed) Interim Final Rules amending Regulation Z (Reg Z), which were issued in order to implement provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) that became effective on August 20, 2009.

In general, we support the intent of Congress and the Fed to establish fair and transparent practices pertaining to open-end consumer credit plans. That being said, we have serious concerns about the operational complexities of complying with the interim final rules, particularly the 21-day statement provision that became effective on August 20. More importantly, we are concerned with the negative effect that the 21-day statement provision has and will have on our members, as the impact is contrary to that which was intended by Congress and the Fed.

Iowa credit unions offer their members the following open-end products which are impacted by the 21-day statement provision: credit cards, open-end lines of credit, multi-featured open-end lending, home equity lines of credit, and various other open-end loans. As member-owned financial institutions, credit unions work to improve the lives of their members by offering products and services in a way that is most beneficial to their member-owners, including making credit accessible and affordable. The 21-day statement provision creates unintended adverse consequences to credit union members and affects accessibility and affordability of open-end credit.

For credit cards, credit unions are generally able to comply with the 21-day requirement. However, for the remainder of open-end loan products, implementing the rule by August 20 in an effective way has been nearly impossible. The various difficulties and disadvantages Iowa credit unions have faced in implementing the rule are outlined below:



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1. Credit unions have typically provided their members with a consolidated statement that reflects multiple loan products. Providing a consolidated statement that reflects multiple loan products, was convenient for the members and cost-effective for the credit union. Credit unions will no longer be able to do this under the new rules unless they move all of the due dates on the consolidated statement to the same date. In the alternative, credit unions would have to send a separate statement for each loan product. Implementing either of these options to comply with the 21-day statement provision affects the convenience to members as well as increases the cost to credit unions and ultimately their members.
2. Many credit unions send quarterly periodic statements for some loan products. Sending quarterly periodic statements for some loan products is convenient for members and cost-effective for the credit union. The 21-day statement provision will essentially force credit unions to send monthly periodic statements for all loan products, which will increase costs to the credit union, and ultimately the members. The credit union can absorb some of these costs, but unfortunately some of these costs will have to be passed on to members.
3. With respect to many of the open-end loan programs, credit unions allow their members to make weekly or bi-weekly payments. The weekly or bi-weekly payments allow members to pay less interest and make payments in accordance with their payroll and budgets. Therefore, it saves members money in the long term and allows them to budget for these costs. Credit union members may still be able to voluntarily make weekly or bi-weekly payments; however, credit unions have had to adjust the due date for these loans to the end of the month as it was too costly to send a statement 21-days in advance for each weekly or bi-weekly payment. This change is and continues to be confusing to the members and does not benefit them in any way. In fact, if members choose to make their payments once per month rather than more frequently as before, the impact will be detrimental due to the increased interest payments.
4. In order to implement changes to comply with the 21-day provision, credit unions must rely on their data processor to make changes. Many data processors were not able to have the changes implemented for compliance by the August 20 effective date, or incurred significant costs in attempting to do so.
5. If credit unions are required to move all due dates to the 28th day of each month, processing all open-end loans on the same date will require additional staff resource and will be very difficult. Credit unions already operate with limited staff in order to reduce costs to the member-owners. This change will further stretch credit union's already limited staff resource.
6. Most credit unions have found that the only practical way to comply with the requirements of the CARD Act is to change the payment due date for all open-end credit plans to the 28th of the month. Pursuant to Reg Z, credit unions in the majority of states are not required to send notice when



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changing the payment due date. Iowa credit unions face even greater burdens as a result of the 21-day requirement of the CARD Act because Iowa law requires that they mail or deliver notice of any change in terms (with limited exceptions), including a change in payment due date, 60 days in advance for all open-end credit accounts. This requirement has burdened, and continues to further burden Iowa credit unions with no recognizable benefit to credit union members.

Again, we reiterate that the 21-day statement provision has and will have a profound negative effect on credit unions and credit union members. The costs of complying with the provisions of the CARD Act have created serious considerations as to whether many credit unions continue to offer open-end loans. If a credit union cannot make open-end loans accessible and affordable for its member-owners, it will be forced to offer only closed-end loans.

We do not believe that Congress or the Fed intended to impose this type of burden on credit union members or on credit unions, and we respectfully urge the Fed to reconsider the negative effects this final rule has and will have on credit unions and credit union members.

We appreciate the opportunity to submit these comments on the Reg Z interim final rules implementing provisions of the CARD Act.

Sincerely,

Joshua Helgesen



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